

Date: 14th November, 2023

To,
National Stock Exchange of India Limited (“NSE”),
The Listing Department
“Exchange Plaza”, 5th Floor,
Plot No. C/1, G Block, Bandra-Kurla Complex
Bandra (East), Mumbai – 400 051.

To,
BSE Limited (“BSE”),
Corporate Relationship Department,
2nd Floor, New Trading Ring,
P.J. Towers, Dalal Street,
Mumbai – 400 001.

NSE Symbol: SULA
ISIN: INE142Q01026

BSE Scrip Code: 543711
ISIN: INE142Q01026

**Sub: Transcript of the Conference Call for analyst/institutional investors for discussing
Un-Audited Standalone and Consolidated financial results for the quarter
and half year ended 30th September, 2023**

Dear Sir/Madam,

Pursuant to Regulation 30(6) of the SEBI Listing Regulations, please find enclosed the transcript of the Analyst / Investor Conference Call held on Friday, 10th November, 2023 with regard to the Un-Audited Standalone and Consolidated financial results for the quarter and half year ended 30th September, 2023.

The said transcript has been uploaded on the Company’s website at the following link:
<https://sulavineyards.com/investor-relations.php>.

Kindly take the same on record.

Thanking you,
For Sula Vineyards Limited

Ruchi Sathe
Company Secretary and Compliance Officer
Membership No.: A33566



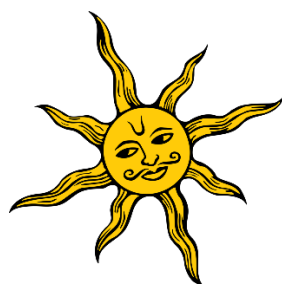
Sula Vineyards Limited

(formerly known as Sula Vineyards Private Limited)

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SULA
VINEYARDS

“Sula Vineyards Limited
Q2 FY '24 Earnings Conference Call”
November 10, 2023

**MANAGEMENT: MR. RAJEEV SAMANT – CHIEF EXECUTIVE OFFICER –
SULA VINEYARDS LIMITED
MR. KARAN VASANI – CHIEF OPERATING OFFICER
AND CHIEF WINEMAKER – SULA VINEYARDS LIMITED
MR. ABHISHEK KAPOOR – CHIEF FINANCIAL OFFICER
– SULA VINEYARDS LIMITED**

MODERATOR: MR. DIWAKAR PINGLE – E&Y, IR



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Moderator:

Ladies and gentlemen, good day and welcome to Q2 FY 2024 Earnings Conference Call of Sula Vineyards Limited. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Diwakar Pingle from EY, IR. Thank you and over to you.

Diwakar Pingle:

Thank you so much, Yashashri. Good afternoon, friends. We welcome you to the Q2 FY 2024 Earnings Call of Sula Vineyards Limited. To take us through the results and to answer your questions, we have with us the top management from Sula, represented by Rajeev Samant, CEO, Karan Vasani, Chief Operating Officer and Chief Winemaker, and Abhishek Kapoor, the Chief Financial Officer. We'll start with a brief overview of the quarter gone past by Rajeev, which will give a broad highlight of the business trends and what he's observing in the market.

This will then be followed by Abhishek with the financials, and we'll round it up with Karan talking about the operations in the upcoming harvest season. We'll open the floor to Q&A after this. The discussions that we have today may contain forward-looking statements relating to future events and future performance.

Numerous factors could cause actual results to differ materially from those in the forward-looking statements. New factors emerge from time to time, and it's not possible for management to predict all such factors, as is the extent to which any combination of factors may impact Sula's business or cause results to differ materially from those contained in any forward-looking statement. Sula also undertakes no obligation to update any forward-looking statement to reflect developments that occur after the statement is made.

With that said, I'll now hand over the floor to Rajeev. Over to you, Rajeev.

Rajeev Samant:

Thanks a lot, Diwakar. Good afternoon to all of you, and I want to wish you a very happy Dhanteras and Diwali. All looking forward to enjoying Diwali break after this. May Lakshmi bless you all.

I'm pleased to announce another solid quarter of double-digit growth here at Sula, leading once again to an all-time quarterly revenue, in this case, our Q2 revenue, EBITDA and PAT. I believe we've started on quite a good note, strong note for H1, and looking forward to an equally strong year ahead.

In Q2, revenues have grown overall revenues by 11.6% YOY, reaching a total of Rs 142.8 crores. Of course, our focus, own brands have grown by a little bit more than that, just over 12%, reaching Rs 128.2 crores. And within this, our super focus premium portfolio, that is our Elite & Premium wines, have grown by 15%.



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So, this is very much in keeping with the trend that we have had over the last few quarters since before, just before IPO and after that. Our focused efforts on the higher-end segment have succeeded in increasing our Elite & Premium wine share to an unprecedented close to 74% in Q2. That's up from 72%, a year ago.

So, this is a tribute to our unerring focus on the higher end of the spectrum in Indian wine. You can say that we are India's first premium alcobev company. This is a trend that you have in the rest of the world.

You have many companies who explicitly only focus on the premium end of the spectrum. And today, you can say that Sula is really the first one of those alcobev companies in India that's very focused on the premium end of the spectrum. And this is a good thing because we're definitely seeing K-shaped growth here.

So Elite & Premium has grown, as I told you, by 15%. Our Popular & Economy grew at just 4.2%. We have repeatedly said that this is not a very exciting segment for us, this lower-priced segment. There's a lot of competition, very heavy discounting, and very low profitability. So, we are very firmly focused on wines costing above INR700, below that, not so much. And given this K-shaped growth that we are witnessing, and I guess this is not only us, but there's also other industries as well, other consumer goods, other alcobev, our premiumization strategy has been the right one and for us and a profitable one.

Our world-renowned Wine Tourism business has also shone very brightly in this quarter, grown at close to 27%. And within this, I'm especially happy to note a massive 43% jump in tastings over Q2 FY2023. So, we did close to 50,000 tastings at our various facilities this quarter. That's a pretty massive number, and that is something that's going to pay rich dividends going forward. A lot of these people have never tasted wine before. Some of them might have tasted some wine, but they might not be familiar with our wines. And once they come to our campus and taste the best of what we have to offer, they become firm brand ambassadors for Sula.

And also, we move them along their path of becoming wine consumers and wine drinkers. And I want to note here that no other consumer goods company in India has anything like this beautiful property, these properties that we have. And that really sets us apart and gives us such a great springboard continuously for future growth. And you know, we are barely scratching the surface. Even when you look at the number of tastings, when you compare it to the population of drinking age and even you can say the people who drink of drinking age, you know, these numbers can just keep coming for a long time to come.

And this is a major reason for our continued success. And everybody who's on this call who has not yet visited our vineyards, once again, I would love to welcome all of you. We have really a stunning and unique place. You know, it's one of the largest Wine Tourism operations in the world. And you know, sometimes some of you say that you try to come, and you can't



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get a room and we've done something to address that. I'm very happy to say we now have three beautiful new lakeside villas and one more lakeside property. We've taken our total keys to over a hundred. So that's almost a 50% jump over the last year or 15 months. So hopefully you'll find the availability. Of course, you can always get in touch with us directly and we'll help you out.

We've also expanded at the same time our iconic Nashik winery tasting room to keep up with the continuing surge in visitor numbers, as well as our beautiful Starlight Terrace where you get to enjoy our wines under the starlit Nashik sky. We've something like increased that by 50% in the past quarter.

And our promise is every time you come back, for those of you who have already been, every time you come back, you're going to find something new and exciting. So, just because you've been once doesn't mean that you can't be visiting again.

As a result of this revenue growth, our EBITDA margin has grown by 173 basis points to 31.6% in Q2, crossing 30% for the first time ever in Q2. And our PAT has risen also, the margin has risen to 16.2%. That's a growth of 93 basis points compared to the previous Q2. One of the milestones which I would like to highlight today is that we have now had six consecutive quarters of YOY growth in our revenue, EBITDA and PAT. And I believe it's double-digit growth in terms of own brand revenue, EBITDA and PAT. So, we're really building a great track record of growth and execution here. And as we approach the one-year milestone since listing, we're really pleased to have delivered something like a 35% to 40% return to our IPO investors until the close of trading yesterday.

And I do hope we all of us do hope that this is just the beginning. One really great statistic that stands out is that our institutional shareholding has jumped to over 36% from 16% just after listing. So, if you look at FII's plus DII's shareholding, we are today over 36%. And I want to place on record my thanks to institutional shareholders for believing in us, just shows that they believe in this company, in the management, in our execution. This will pave the way for greater growth and stability in share price. We're all aware that institutional investors tend to be typically longer-term investors compared to general investors. So, it's something that that bodes very well for us for the future.

One thing that I'm very proud of is our efforts in sustainability, climate mitigation and climate readiness. We recognize climate change as a significant risk early on, and we've been very proactive in implementing measures to mitigate its impact. So, this will be our fourth excellent harvest in terms of successive, in terms of quality and quantity. You know, that's easy to say, but what you don't see is the hard work that goes on behind the scenes in making this happen, in mitigating the impact of climate change, global warming. So, our winemaking team, viticulture teams are continuously doing so much work to make sure that even if there are some unseasonal events, climate events, weather events, Sula is ready to make sure that we get



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the supply that we need of quality wine grapes and therefore to produce quality wine to meet the ever-increasing demand.

And, you know, I should point out here that a lot of the world's wine regions have experienced some dramatic climate issues over the last five, six years. And if you look at any given major wine region in the world, it will be difficult for them to claim that they've had four harvests where they've mitigated impacts and managed to deliver a consistently good quality and quantity harvest. So, this is something that also should give all of you a good feeling for the future.

We are firmly on the path to being one of the world's most sustainable wine producers, very committed to reducing our ecological footprint and increasing especially our renewable energy. So, to that end, we have also taken a call to increase our investments in renewable, especially solar. When I say renewable in Sula's terms, that's mainly solar. That makes a lot of sense for us. Solar compared to, along with now storage, something that we're starting to invest in. So, this year we are bumping up our solar energy CapEx and our sustainability CapEx. And our goal is that 70% of our energy should come from solar energy by 2026. Right now, we're just above 50%. We've grown consistently over the last decade. And this is the target that we've really set ourselves. This will really reduce our environmental and carbon footprint in this world where this is becoming so important. And also, at the same time, pave the way for substantial future cost savings over increasingly costly grid power. And so, unlock profits in the years to come.

I'd like to talk about a few of the pending sort of issues that have been brought up in these calls, in past calls. One is about the Maharashtra WIPS issue. That's the VAT refund scheme. That again is still in abeyance at this point, but we remain optimistic. At the same time, I want to point out that the other states have been growing much faster. So, in H1 our fastest growing segment has been CSD, Canteen Stores, which has had close to triple digit growth compared to last year. So, what's happened is that all these other markets and states have been growing faster than Maharashtra in this H1. And what that has meant is that our proportion of revenue that comes from Maharashtra and therefore the proportion that comes from this WIPS scheme has been steadily decreasing. For this quarter, it is at 7.4% more or less versus 8.9% a year ago. So along with that also the overhang and the risk is steadily reducing.

Also, a word about the excise blending matter that made the news a few months ago. As you're all aware, we had received a demand notice from the Maharashtra excise, and we immediately obtained a stay from the High Court. Again, we are very hopeful here that, the hearing has already happened, and we hope to get a positive ruling within this quarter itself. We're quite optimistic about our chances of getting this positive ruling. So that's just a word that I have to say here because I know that there would be questions on both of these cases.

So, ladies and gentlemen, here at Sula, we are really doing something special. We're creating a category here that has a potential to pay off for decades to come. Nobody until we came along



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had created a premium wine company and premium wine brands in the way that we have done. India still has such a long way to go. Per capita consumption here of wine is still pretty much the lowest in the world at maybe 20-25 milliliters per capita in contrast to China, which is more like 800 milliliters, so 0.8 liters. So, we have our sights set on something like that and we do believe that it's just a matter of time that we get close to that. We leave aside, we're not even going to mention Europe where the per capita consumption is northwards of 20 liters and UK and US where it's more like 15 liters. But we are very confident that we will get there in time and that gives us a lot of runway for the decades ahead for continuous growth.

When I talk about Premium Wines, I would like to bring attention to our Source range, which to my mind has been by far the most successful premium Indian wine brand launch of this past decade. Our source is getting new consumers, customers every day and we have, really successfully with this range. taken the battle to the imported brands and we've really hit the sweet spot. This range is sort of between Rs 1,100 and Rs 1,400, so somewhere just below the price of imported wines above most other domestic wines and of course in the sweet spot as far as profits go and as far as quality goes. We're very pleased to announce the launch of our latest addition to this range, which is the Source Pinot Noir. Those of you who are wine drinkers and especially red wine drinkers will know how important a varietal Pinot Noir is. So, we're very pleased. This is our first Pinot Noir being launched from the Sula's stable and to our mind, the Source Pinot Noir is by far the best Pinot that's ever been created in India. And once again, you know, it will start small, few hundred cases, but then grow dramatically and create another avenue for growth, you know, a couple of years down the road, et cetera. So that's something that we've been very successful. You know, recently we released our first Chardonnay, that was the Dindori Chardonnay. Also, recently we did our first Moscato, which is India's first and only Moscato, which is the Source Moscato. So, we are continuously bringing out more wines that are not available in our stable yet. And that creates, you know, there's customers and consumers looking for those wines and they have a great today premium Indian equivalent, which creates a further runway for growth down the road. So, with this addition, we have six wines in the Source range and successfully bringing higher end wine drinkers back to drinking world-class Indian wines.

I'm very pleased on the management front, pleased to announce that our Chief Winemaker Karan Vasani, sitting here right next to me, who's been a very key member of the Sula leadership team since the past 10 years, has taken over as Chief Operating Officer from October onwards. You're going to hear a few words from him in a bit.

And I would now like to introduce also Abhishek Kapoor, who joined us as CFO in August. He brings over two decades of expertise in financial planning, accounting from various FMCG, media and auto companies, and gives me pleasure to introduce him to you.

And I will close out on that note. And it's over to you, Abhishek.

Abhishek Kapoor:

Thanks, Rajeev. A very good afternoon to everyone.



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And at the outset, I would like to wish everyone a very, very happy Deepawali. I'm delighted to interact with all of you over my first earnings call, post taking over as the CFO at Sula. As Rajeev has given a detailed narrative of our business performance, including the key initiatives we have taken during the quarter, let me take you through some key highlights of our financial performance during the quarter in H1.

Our revenue from operations has grown 11.6%, which is a result of our continuous focus on premiumization. In our own wine brand portfolio, which now contributes to 89% of our operating revenues, our Elite & Premium category has grown 13% by volume and 15% by value, while our Economy & Popular category has grown 4% in value terms. There's a favorable mix shift of 190 basis points towards Elite & Premium, taking its total contribution to 73.5% of our own brand's portfolio.

Our wine tourism facilities in Nasik, which act as one of the key consumer enrollment platforms for us, continues to see an ever-increasing fraction of our guests. Our wine tourism revenues have seen a solid 27% growth in Q2. As a result of a favorable mixed change in revenues, our gross margin has expanded by 122 basis points to hit 73.1%. On cost front, we continue to invest in strengthening our human resources through a strong learning and development program.

We also continue to invest in our market through selling and distribution spends focused on driving a healthy portfolio mix. We registered an EBITDA growth of 18% with an EBITDA margin of 31.6%, which is up 172 basis points over quarter two last year. Our profit after-tax for H1 stands at Rs 36.8 crores, up 21% year-on-year, and our EPS stands at Rs 4.4 per share, up 15%.

As Rajiv spoke about our continual focus on expanding our investments in sustainability initiatives, we invested a significant proportion of over Rs 17 crores CapEx in H1 towards these initiatives. I would also like to inform we are very comfortable with our debt EBITDA, which is well below 2. Where the benchmark rates have increased to 110 basis points, for us, our borrowing cost has grown only 60 basis points.

I'm also pleased to share with you all that we have enhanced our credit rating from CRISIL from 'A positive' to 'A plus stable', and this will further help us in leveraging and improving our long-term as well as short-term borrowing costs. With this, to talk about more initiatives, I would like to hand over to our COO, Karan.

Karan Vasani:

Thank you, Abhishek. Thank you, Rajeev. Thank you to all of you for joining our Q2 earnings call, and Happy Deepawali to everyone.

Building on some of the stuff Rajeev and Abhishek have already shared with everyone, I'm happy to announce that we look to be set for quite a successful 2024 grape harvest. We expect this to kick off in January as per normal. There were a few concerns, of course, with a slightly



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deficient monsoon, but happy to say that the monsoon did catch up in September, and we look set for a very strong harvest, which will assure us to have adequate supply of our key Elite & Premium wines in fiscal 2025. So, absolutely no concerns from a supply point of view.

In further updates from the winery, I should mention is that in Karnataka, where we have two wineries, we will be exiting our leased winery and consolidating all our operations at our own facility called Domaine Sula, which is halfway between Bangalore and Mysore, and also a key wine tourism facility for us.

We were finding that this leased facility, which we had been at for over a decade, was not up to the mark for producing our Elite & Premium wines, and as our focus shifts towards premiumization, we felt it best to consolidate all our operations at our own facility.

So, this will be just a replication of capacity. The leased unit was about 6.5 lakh liters, and we will be putting in an equivalent capacity at our Domaine Sula facility, and we expect this to complete in time for the 2024 grape harvest.

In further details about capacity, we felt that we were able to slightly augment the capacity of our DD unit, which is our key unit in Maharashtra. We're doing a small 3.5 lakh liter expansion, which will roughly be about 2.5% to 3% of our overall capacity, and this will stand us in good stead as we're expecting a strong harvest. Always good for us to have a little bit of safety margin on the capacity side. With all of this capacity expansion, our investment in renewables also happening. We will be increasing our annual capital expenditure this year from Rs 55 crores to Rs 65 crores, an increase of 18%, and as Abhishek already alluded to, we are very comfortable on the financing side. Rs 5 crores of this increased CapEx will, of course, go towards renewables, some of it towards the cellar capacity expansion, and we have also picked up a little bit of land at our Domaine Sula facility in Karnataka, which will be helpful in the long term as our hospitality operations grow at that facility.

So that's it from me, and I will hand back over to the call operators to get us into Q&A. Thank you so much.

Moderator: We have a first question from the line of Vishal Punmia from YES Securities. Please go ahead.

Vishal Punmia: Yes, thank you for the opportunity and best of greetings to the team. So, my question is actually on the overall market in terms of the growth potential. You mentioned that the focus would be on premiumization going forward. So, pardon me if I am repeating this question. I haven't attended the past calls, but if I look at the kind of growth that we have seen in Tastings as well as in terms of tourism, so there is definitely a lot of interest behind the category. The penetration level of this subcategory within the overall Alcobev space is fairly small compared to the other big categories. So why so early in terms of focusing on premiumization? Being a market leader, I think, shouldn't we be focusing more on getting more and more consumers for the future?



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Rajeev Samant:

That's a good question. You know that in terms of AlcoBev, given the high taxation that states levy, you know, our raw material is not as cheap as what is used in a lot of, for instance, IMFL or beer. Grapes are inherently more expensive. So, what happens is at the lower end of the price spectrum, profitability totally vanishes. So, if you want to put in a fairly expensive CapEx, the way it is in our case, it doesn't make sense. And therefore, you know, we don't believe when we talk about premium, we're talking about INR800 to INR1000. As I've said before, that's our sweet spot.

We don't believe that that's an impediment for a large number of people to get in and to try at Rs 400, Rs 500, you know, state taxes. And then in the case of free pricing markets like Maharashtra, unfortunately, it tends to be massive discounting, gobbles up all the profit. So, though we are not saying that we are totally letting go of this category, what we are saying is that it is not a prime focus for us.

So, there are many other players who are in this category. And therefore, probably the category growth at a Rs 200, Rs 300 level is possibly higher than what our growth is. But our growth at the Rs 800 to Rs 1000 level is far faster than what the category has been. Now, of course, we're reaching a stage where we have such a major market share. And we still, we feel that that's the way to go about it for ourselves.

Vishal Punia:

Understood. Is it the case that currently when new consumers are entering, if they enter at a more than Rs 700 price point, it benefits the category both in terms of earnings as well as in terms of marketing because of the regulatory environment? Would that be the case?

Rajeev Samant:

Yes, so we would distinguish between a couple of different kinds of consumers. There are those consumers for whom price is the most important thing, price bang for the buck. They want something alcoholic and sweet. And they are the natural consumers of our port wine. You know that Sula is still today the largest port wine producer in the country, even having said that we focus on the top line. We don't see a lot of those consumers naturally moving up the value chain.

A lot of them are stuck or are going to remain at that sub Rs 500 level. Whereas you have a lot of the, you know, you have a young cohort of new wine drinkers coming into drinking age for the first time, coming from fairly affluent backgrounds. These are the ones who are naturally reaching for the Rs 700, Rs 800. So our Rosé Zinfandel, I would say our Chenin Blanc!. These are two very popular wines among these consumers. And they are the ones going up the price ladder as we go along. And there's more than enough of those. We've had a dramatic increase in our premium wine sales as well, this H1. Last year was much more about Elite. This year H1 Premium has also seen a massive double-digit increase. And so, you do have a lot of these consumers and they are our target.

Moderator:

We'll take our next question from the line of Vinamra Rawat from JM Financial. Please go ahead.



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Vinamra Rawat: So, Rajeev, you sound pretty bullish on the wine tourism segment. Do you see it becoming more than 10% of your revenue going forward?

Rajeev Samant: So, I should put this in perspective that there's something hidden here, which is the wine that we sell at Wine Tourism, which shows up in own brand's revenue. But it is basically DTC. If you take that this year, our total wine tourism revenues, including our DTC wine is going to be something above Rs 90 crores.

So, actually, when you take it, it's much more significant than 10% for the company as a whole we start to get to something more like 15% to 18%, something like that. So very significant from that point of view. And here's a place where we can drive people towards, nudge them towards trying exactly what is our focus brand or focus brands for that quarter or for that year, which is a great way to go. So actually, the revenues are going to be something above Rs 90 crores this year, the way it looks.

Vinamra Rawat: And do you also see it incrementally becoming a larger portion of your revenue?

Rajeev Samant: You know, this year, actually, the growth will be fairly significant because of all the increases in the number of keys, et cetera, et cetera. Moving forward, I don't necessarily see it outperforming own brands as a whole. You know, I would see it more in line or in fact, I would see own brands, especially the Premium & Elite, even growing a little bit faster than wine tourism going forward.

It's much more feasible to show this strong double digit growth in Elite & Premium wines across the country and across the world than to keep growing our wine tourism because there are some inherent, you know, factors there which tie to where the wine is actually produced. Though we do have some plans for some more retail stores, we're opening a few more retail stores this quarter. That's the plan in the Nashik area. But still, I don't see it outperforming own brands as a whole.

Vinamra Rawat: My second question is, you know, do you have any guidance on volume and value growth in the Elite & Premium segment?

Rajeev Samant: So, I see whatever has been happening for the past couple of quarters, we are fairly comfortable with seeing that moving forward. So, I would say, also value, you know, strong double digit, but sorry, can't give much more color than that.

Moderator: We have a next question from the line of Aditya Soman from CLSA. Please go ahead.

Aditya Soman: Two questions. So firstly, I mean, on wine tourism, I think it was asked earlier also, just building on that question. Is there potential to put up or basically expand this across the country? Right now, you're operating from two sites, effectively. So can you build this out across the country?



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May not be, I'm not talking about immediate, but let's say over a period of time. And secondly, can you give a sense of what you are doing to expand this category overseas, especially selling your wines outside of India?

Rajeev Samant:

So yes, there is a potential to expand this to certain other sites. But that I would say is very early days. What I would say is that at our Bangalore site right now, we do not have opportunity to stay. And that is something that has been very successful at our Nashik site. So that is firmly in our plans to offer also a stay option at the Bangalore Vineyards. We hope to roll out something in the near future.

And that should add a lot down there. For now, you know, Bangalore itself is growing at something like the wine tourism there is growing at something like 50% a year. So, there's a lot of work to be done just there in Bangalore, so lot of potential. We have a lot of open land there around our winery, which we have earmarked for expansion of wine tourism.

Aditya Soman:

I understand very clear. And lastly, in terms of overall penetration, what do you think the total population that can afford like an Rs 800 plus wine is and where do you think you are in terms of penetration there?

Rajeev Samant:

So, in terms of total population, I would I would put it that, you know, anybody who's buying a bottle of whiskey, above Rs1500 can afford a bottle of wine above Rs 800 rupees in terms of penetration. We've hardly penetration -- penetrated. I would say that today, probably it's, you know, 2% of those who are who are buying that whiskey. So, I hope that we can bring that up to at least 10%. That would be a great result.

Moderator:

We'll take the next question from the line of Relita, an individual investor. Please go ahead.

Relita:

My question to you is that you were already present in the metro city. So, I wanted to understand from you, what are we doing for increasing your tier one and tier two city?

Rajeev Samant:

Yes, so tier one is firmly in our sights. And, you know, I am pleased to say that in the last year or so, there's we've seen substantially growth, substantial growth in tier one. You know, I'll give you the example of Haryana, where until now, I would say 90% plus of our sales were just in Gurgaon.

And now we are pushing out to other cities in Haryana. And part of that is also doing tastings in these places. In UP again, our most of our sales have been in Noida. Now we are making substantial efforts in in Agra, et cetera. And already starting to see good results from these places. So definitely, we do have our sights on that.

And in terms of expansion of our sales team, our sales team has been very metro focused and metro based over the past decade. And now we are rolling out ,we are we are starting to hire sales personnel in your tier one cities as well. And hopefully also to tier two in the not so far future.



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Moderator: We'll take our next question from the line of Ketan Sanghvi, an individual investor. Please go ahead.

Ketan Sanghvi: Hi, good evening. Thanks for the opportunity. I have three questions, Rajeev. One is what's the percentage revenues for us from the restaurants and the hotel side? The second question is on the fixed asset turnover for us. I mean, at 90% to 100% utilization, what would be our revenues?

And the third question I had was on the subsidy that we have received in Q2. And what's the current outstanding? Those are the three questions from my side. Thank you.

Rajeev Samant: Revenue from hospitality, you know, in fact, somebody just asked this question, we would club the wine sales at hospitality along with the overall with the wine tourism revenues that you see in the thing. So, which would bring us to somewhere between Rs 90 to Rs 100 crores this year. That's going to be the total revenue from wine tourism, including the wine sales, which is obviously a substantial part of it, which is, I don't know, around 50% of the total sales.

In terms of utilization of assets, you know, in wine, typically, you can't do more than 90% of your gross sort of storage capacity that you have. Typically, if you do 85%, that's full, I would term that as full utilization. What I mean by that is, if you've got a million litres of capacity, tank capacity, you can make 8.5 lakh litres, so 850,000 litres of wine, and we are almost at that capacity pretty much.

So, we have built out the civil, which allows us to on short order, put in tank capacity based on, you know, what we're expecting in the harvest. So we always, we like to sweat our assets, we never really go below 80%. So, we're always between that sort of 80% and 85%.

Third question was on WIPs. And WIPs, AK, you have some, maybe you can give a little more color on that answer.

Abhishek Kapoor: Yes, sure. So, the WIPs accumulated balance on our balance sheet as of date is Rs 130 odd crores. This is the fair valuation. And for the year in H1, we have received around Rs 4.5 crores. The balance, of course, is depending on the policy, which we continue to maintain that we are positively hopeful of this. So, I hope this answers your question.

Moderator: We have a question from the line of Rhea Khurana, an individual investor. Please go ahead.

Rhea Khurana: So, my question is, what is the contribution shift you have seen from Maharashtra to the other states? And do you see that changing any further?

Rajeev Samant: I'm just seeing if we have that number for you somewhere. Yes, we've got it here. So Maharashtra, H1 this year is at just over 48%. Last year, H1, it was at 54%. So quite a- quite a



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substantial shift to other states. As I said earlier, other states and in the earnings release as well, the other states have been growing faster.

So non-traditional wine states, you can say, have been growing far faster. Number one growth in H1 has been CSD, in fact. So of course, that is not Maharashtra. The majority of that is Delhi in that case. So Yes, hope that answers your question.

Moderator: We have our next question from the line of Himesh from Purnartha Investment. Please go ahead.

Himesh: Thank you for the opportunity. So the first question, you mentioned that the Maharashtra VAT collection was Rs 4 crores for the first half, right? Because in the Q1 also, it was Rs 4 crores. So basically, for this quarter, we haven't received any amount.

Abhishek Kapoor: So, we received this money only in the month of July. So, we have received the entire sum of money in quarter two. Last time, we had said because that call was in August. So, by July, that period had already kind of crossed. And we had received this now.

Himesh: And the second question is in terms of the gross margins. So basically, now we are at 78%. Can you just help us understand what is the steady state gross margins, because some of the raw material costs like the glass and the boxes, the costs have been coming down. So how do you see that gross margins going forward?

Rajeev Samant: So, I think we've already reached a great place in terms of gross margins. 78% is something unprecedented. I don't necessarily see it going up so much from here. Now, I want to point out that, you know, yes, boxes and all that apart, really what's driving the gross margin increase is our much better performance in terms of the premium portfolio than the value portfolio. So obviously, with the premium portfolio, that's exactly why we are concentrating on it. The gross margins are much better.

So, I mean, to my mind, this is almost as good as it gets. But I mean, of course, that's not to say that it couldn't even go up further the way things are going. I want to point out that every earnings call, I also say that, you know, EBITDA margin, this is probably as good as it gets.

And then what do you know, we have one more quarter. And once again, the EBITDA margin has gone up. So, you know, who am I to say?

Moderator: We have our next question from the line of Vinamra Rawat from JM Financial. Please go ahead.

Vinamra Rawat: I have a couple more questions. So, I understand that, you know, Maharashtra becoming a low portion of our sales is good because we're less reliant on the WIP subsidy. But isn't Maharashtra also the state which has sort of the lowest excise duty on wines and has the lowest taxes as a percentage of EWP?



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- Rajeev Samant:** I think possibly Karnataka might be even lower.
- Vinamra Rawat:** I meant on the lower end, on the lower end compared to the other states.
- Rajeev Samant:** On the lower end, yes, on the lower end, absolutely. But Maharashtra also has the largest number of small wineries producing lower-end wines. So, while you're right that taxes are pretty low, it's basically we're talking Rs 10 a litre excise duty. Plus, of course, you have the VAT of 20%, and then you're supposed to have WIPs. But of course, that's not come through. So, the problem there, of course, is also that you have so many producers producing at the lower end, and that is not a quality conscious market. That is to do with quantity and discount. So yes, our market share has not been growing at that lower end. If anything, it's been declining.
- Vinamra Rawat:** Okay, so you're saying Maharashtra is generally more of a lower end market?
- Rajeev Samant:** No, I didn't say that. You were talking, you were asking about taxes. So, I was just replying to your taxes question. You said at lower end, at the lower end, it has lower taxes. I assume that's what you meant.
- Vinamra Rawat:** No, no, I was saying it has on the lower end compared to other states.
- Rajeev Samant:** Yes, so Karnataka and Maharashtra, very much, yes, lower taxes compared to the others.
- Vinamra Rawat:** Okay, got it, got it. Just another question. So, is there a breakdown of margins of you know, the own brands and wine tourism business, if you could provide us?
- Rajeev Samant:** That, I'm not sure if we are providing that currently in the key indicators. So, I think we could, possibly show that from FY 2025 onwards, we might start to do, there could be an expansion of our reporting. We'll keep you posted on that.
- Vinamra Rawat:** If I could just ask one more question. I just wanted to know whether you own the vineyard land, or is it leased?
- Rajeev Samant:** Oh, the company hardly owns any vineyard land. 90% plus of the grapes come from third party growers. So, neither do we own it, nor do we lease it. There's a very small acreage of land that the company leases for very high-end grapes for the RĀSĀ range. But in terms of quantity, it's less than 5% of the total grapes bought by the company. We work with smallholders, small farmers.
- Yes, we are dealing with individual grape growers. So, you know, we have something like 400 grape growers who we have contracts with, et cetera. So, Sula is very asset light when it comes to vineyards. We basically buy the grapes, produce the wine, and then sell the wine. We do not grow the grapes.



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Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I now hand over the call to management for closing comments. Over to you, sir.

Rajeev Samant: Well, thanks a lot, all of you. Thanks for taking the time. I know that some of you are anxious to head out on your Diwali break. And once again, closing with Happy Dhanteras and Happy Diwali to all of you, take care.

Moderator: Thank you. On behalf of Sula Vineyards Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

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